

HEARING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the matter of:)
)
Blythe Energy Project II) Docket No. 02-AFC-1
Application for)
Certification)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

FRIDAY, JUNE 3, 2005

10:00 A.M.

Reported by:
Michael Mac Iver
Contract No. 170-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

PRESENT

Garret Shean, Hearing Officer

John L. Geesman, Commissioner

STAFF PRESENT

Lisa De Carlo, Staff Counsel

Mark Hester

Bill Pfanner

ALSO PRESENT

Scott Galati, Caithness Blythe II

Robert Looper, Caithness Blythe II

Chris Ellison, Caithness Blythe II

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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1 P R O C E E D I N G S

2 COMMISSIONER GEESMAN: This is a hearing on
3 the Blythe Energy Project II application for
4 certification. I'm John Geesman, the presiding
5 member of the Commission today assigned to this
6 matter.

7 To my right is Garret Shean, the hearing
8 officer that will conduct the hearing.

9 HEARING OFFICER SHEAN: We're first going to
10 get the identification of the parties. Let me
11 also indicate, I believe the current status of
12 things with respect to the assignment of
13 Commissioner Geesman as presiding, is that it was
14 to have been heard at the Commission's Business
15 Meeting on May 25. That meeting was postponed and
16 now the specific confirmation of his status as the
17 presiding member will not occur until after the
18 hearing. So is there any party who is present who
19 objects to proceeding in the matter we are today?

20 All right. Hearing none, we will proceed and
21 ask at this point that parties identify
22 themselves. First what we'll do is the people who
23 are here at the Commission and then the people who
24 are on the telephone. So we'll proceed now with
25 the Applicant, Mr. Galati.

1 MR. GALATI: My name is Scott Galati,
2 representing Caithness Blythe II.

3 MR. LOOPER: Robert Looper, representing
4 Caithness Blythe II here, Project Director.

5 MR. ELLISON: Chris Ellison; Ellison,
6 Schneider & Harris, representing Caithness Blythe
7 II on transmission issues.

8 MS. DE CARLO: Lisa De Carlo, staff counsel.

9 MR. HESTER: Mark Hester, representing staff
10 on transmission issues.

11 MR. PFANNER: Bill Pfanner, Project Manager.

12 HEARING OFFICER SHEAN: Are there any members
13 of the audience who are party to the proceeding or
14 who are members or employees of sister agencies
15 who would like to identify themselves at this
16 time?

17 MR. LEE: David Lee from the California ISO.

18 MR. SAVO: Hi. Nick Savo with Western Area
19 Power Administration.

20 HEARING OFFICER SHEAN: Mr. Savo, thank you.

21 All right. We have some people on the
22 telephone. If you would identify yourselves
23 please.

24 MR. HALL: Charles Hall, City of Blythe.

25 MR. HOLT: Rob Holt with the Holt Group.

1 MR. HALL: Les Nelson will be stepping in the
2 room now that we've started.

3 MR. WOLFE: You've also got Pat Wolfe here
4 with Blythe Airport.

5 HEARING OFFICER SHEAN: All right. In the
6 absence of a representative from the Public
7 Advisor's Office, I'll step into those shoes.

8 I want to indicate to all of you who are here
9 present or on the phone that we will have a public
10 comment period for those who are not official
11 parties to the proceedings and have something to
12 say.

13 What we propose to do now is to dig into the
14 staff's motion to compel certain information on
15 proposed transmission interconnection
16 configurations which was filed on May 4th. And we
17 have an Applicant response to that and that is the
18 extent of the documentation which we currently
19 have.

20 What I propose at the moment is since I think
21 we all have a fairly good idea of the issues at
22 hand, we have discussed this once before, the
23 Committee has read both the motion and the
24 Applicant's response, let's just dig in with a few
25 questions. And my first one is of the Commission

1 staff. Can you tell me how this differs from what
2 was heard back in January of 2004 and why there
3 might be a different result in staff's view.

4 MS. DE CARLO: Well, several things have
5 transpired since that status conference. First of
6 all, the status of the Desert Southwest
7 Transmission Project. There were clear
8 indications from Bob Mooney at that status
9 conference that the Desert Southwest Transmission
10 Project was going to be permitted mid year 2004.
11 I believe part of the Commission's determination
12 on our request was based upon the fact that things
13 were moving quickly ahead with the transmission
14 project. That is clearly not the case. We have
15 no final EIS/EIR, we have no indication of when
16 the final EIS/EIR for the Desert Southwest
17 Transmission Project will be coming out and we
18 have no clear indication of what the permitting
19 process is going to look like, the timeline.
20 That's one thing that's changed.

21 COMMISSIONER GEESMAN: Can I ask you, Ms. De
22 Carlo, why does that matter?

23 MS. DE CARLO: It matters because it's a
24 further indication that the proposed transmission
25 interconnection that's been proposed by the

1 Applicant is viable and is going to go forward.

2 COMMISSIONER GEESMAN: The interconnection at
3 Buck?

4 MS. DE CARLO: Yes. And the ability of the
5 project to get its power into the grid.

6 COMMISSIONER GEESMAN: The status of DSPP
7 reflects on the feasibility of the interconnection
8 at Buck?

9 MS. DE CARLO: Yes. And I have my staff
10 person that could -- Mark Hester can --

11 COMMISSIONER GEESMAN: I just wanted to
12 understand.

13 MS. DE CARLO: Without DSPP, the project as
14 proposed has no viable way to get the power to the
15 grid.

16 MR. HESTER: This is Mark Hester. Actually
17 the proposed condition that either the Applicant
18 or the Committee threw out there had a limit on
19 the output from both the Blythe I and Blythe II
20 projects until some feasible form of transmission
21 outlet was built and the Desert Southwest
22 Transmission Project was that outlet and nobody
23 has agreed to that condition yet, but that was the
24 proposal. So the two projects are very linked.

25 HEARING OFFICER SHEAN: Well, on page 18 of

1 the Applicant's reply, they propose a condition in
2 two parts that the project owner shall not
3 commence construction until the Desert Southwest
4 Transmission Project or an equivalent transmission
5 upgrade has received all necessary permits. So
6 does staff understand at least as proposed, there
7 is no construction that would begin until the
8 project you've described or an equivalent is
9 permitted and, therefore, the Commission as well
10 the Applicant and the financing community could
11 understand that it's going to go forward. Why is
12 that insufficient?

13 MS. DE CARLO: Right. Well, the concern is
14 that if DSPP doesn't go forward, then we really
15 haven't analyzed what the proposed interconnection
16 is. Because something else has to occur and it's
17 unclear whether the project interconnect at Buck
18 Boulevard would go forward as proposed if another
19 transmission line were to be necessary.

20 COMMISSIONER GEESMAN: Well, if that were the
21 case, wouldn't the applicant seek to amend its
22 certificate, assuming one had been granted?

23 MS. DE CARLO: Definitely. But the concern
24 is that do we really want to go down the road of
25 certifying projects knowing that they will be

1 amended in the future.

2 COMMISSIONER GEESMAN: And what would be the
3 downside of that?

4 MS. DE CARLO: Well, the concern is that we
5 use the staff resources, we've spent a lot of time
6 analyzing this project, and if we get to another
7 situation where we have a lot of projects that
8 come in, do we want to be having staff spend a lot
9 of time on projects that aren't sure, they're not
10 definite and may come back for an amendment when
11 we could be devoting more staff resources to
12 projects that do have a definite interconnection,
13 are committed to their proposal, and will be built
14 soon after certification.

15 COMMISSIONER GEESMAN: Well, I have a lot of
16 demands on my time, but I'm not aware of a lot of
17 siting cases that staff is currently reviewing.
18 Is that a resource problem right now?

19 MS. DE CARLO: Not currently. However, it
20 would set a precedent.

21 COMMISSIONER GEESMAN: I'm not certain that
22 it would, it might follow a precedent. It would
23 seem to me that with a variety of the projects
24 that we license, the transmission aspect is a
25 series of moving parts and it's understood, and

1 not solely transmission, but various aspects of
2 licenses are amended or conditioned on the receipt
3 of permits for ancillary projects.

4 MS. DE CARLO: And definitely, and we're not
5 opposed to that approach, however, in all those
6 instances we have a clear indication of what the
7 project pretty much looks like. In this case we
8 really don't know what the actual or even a
9 proposed interconnection looks like.

10 COMMISSIONER GEESMAN: Well, my impression is
11 that the interconnection is at the Buck substation
12 and that there has not been an alternative
13 suggested by the Applicant. The Applicant
14 continues to insist its interconnection is at the
15 Buck substation.

16 MR. HESTER: One of the big things that's
17 changed at the Buck substation is we still don't
18 know how it's going to connect at the Buck
19 substation. When the Applicant originally was in
20 an interconnection queue, there was one
21 configuration for the Buck substation. Since
22 then, other projects have gotten in front of this
23 project, other projects that will change the
24 configuration of the Buck substation. So we no
25 longer know how this project will connect to the

1 Buck substation.

2 COMMISSIONER GEESMAN: No. The Applicant has
3 quarreled with your characterization of queue
4 issues. Let's save the queue issues until we've
5 had a chance to hear from the Applicant.

6 Are there other concerns you want to raise on
7 your first point or should we move on to the other
8 aspects of your response to Mr. Shean?

9 MR. HESTER: There is one other change that
10 we've become aware of and that is that the
11 Applicant is pursuing a different interconnection
12 to a different substation. I'm not certain of how
13 the public information, but we have meeting notes
14 from a meeting that the Applicant attended and
15 some others attended on the Blythe electric power
16 transmission line, which is the lines associated
17 with the first Blythe I project. And at that
18 meeting it was indicated that the Applicant has
19 applied for two interconnection studies, one with
20 Western looking at the Buck Boulevard
21 interconnection and one with Southern California
22 Edison looking at a connection to the midpoint
23 substation. A connection to the midpoint
24 substation would require that CEC would have
25 licensing jurisdiction over the whole line from

1 the powerplant to the midpoint substation.

2 There's been some discussion that if the
3 Applicant wants to change the interconnection,
4 they could come in for amendment. If they're
5 looking at a different interconnection before they
6 had gotten certified, it seems reasonable and
7 logical that they would apply for certification of
8 both options, rather than have us do one and come
9 back and do it again at another time.

10 COMMISSIONER GEESMAN: Yes, I'm trying to
11 figure out what's at stake here and so far it's
12 shaping up as a staff resource question or staff
13 workload question. I'm not certain that I should
14 be concerned about saving the Applicant money in
15 terms of whether it will need to amend its
16 application. I suspect that the costs to the
17 Applicant from doing that are probably
18 substantially greater than any staff resource
19 costs that we would incur. But am I missing
20 something?

21 MR. HESTER: One other issue is that without
22 the interconnection studies that we have already
23 been told we won't get, we will not have ISO
24 testimony for an Edison interconnection.

25 COMMISSIONER GEESMAN: But right now there is

1 not an Edison interconnection.

2 MR. HESTER: There is a look at an Edison
3 interconnection.

4 COMMISSIONER GEESMAN: And I would presume
5 that there are probably looks at a whole bunch of
6 different things that we don't know about.

7 MS. DE CARLO: I think it goes a little
8 beyond a look though. I mean as far as we know
9 they have actively requested interconnection.
10 This isn't just them attending meetings and
11 keeping up on what's going on, they have actively
12 pursued an alternative option.

13 COMMISSIONER GEESMAN: So if it were in their
14 interest to amend their application, wouldn't they
15 amend their application rather than pursue a
16 project that they don't have any intention of
17 building?

18 MS. DE CARLO: Yes. But then it goes back to
19 whether the Commission wants all the cards on the
20 table when we review a project or whether we're
21 okay with going forward with something Applicant
22 might pursue or might not.

23 COMMISSIONER GEESMAN: Well, I think that the
24 Applicant is entitled to a certain belief that it
25 intends to pursue the project at Blythe, and you

1 know if you want to explore whether that belief is
2 sincere or not, perhaps we can devote some
3 evidentiary hearing time to that, although I'm not
4 quite certain what it would establish if you were
5 successful.

6 I'm interested in moving forward with the
7 exercise of our jurisdiction over the project. I
8 am mindful of the fact that we have several other
9 broader authorities in the transmission area.
10 We're in the process of developing the first
11 strategic transmission plan under the 2005
12 Integrated Energy Policy Report process. I don't
13 want to have this licensing proceeding to become a
14 de facto forum for conducting that strategic
15 transmission plan.

16 I'm also aware that given the Governor's
17 reorganization proposal, we may end up with
18 substantially greater transmission permitting
19 responsibilities than we currently have. I don't
20 want this licensing proceeding to become a proxy
21 for that expanded jurisdictional approach.

22 I think we've got a fairly clear mission as
23 it relates to reviewing applications for
24 powerplant certificates, and I would like to get
25 on with that in a timely way. I don't in any

1 sense want to surrender or forego our legitimate
2 jurisdictional interests, but I also want to take
3 a pretty strict view as to what those are and I do
4 believe that the approach that we're taking in
5 other cases is a helpful guide to that.

6 This is my first involvement on this
7 Committee and I can't speak for the decision that
8 had previously been made. I don't know if I would
9 have made them the same way or not, but I will
10 tell you I have embraced each and every one of
11 them and don't want to implicitly reverse any of
12 them. If there are any decisions that you felt
13 the Committee previously made an error, bring
14 those to my attention and ask for a
15 reconsideration of it, but I think on the merits
16 that you've raised so far, I'm not certain that I
17 see a reason to delay this any further.

18 MS. DE CARLO: Well, one further change that
19 was touched upon but not as it relates to the
20 difference between the previous decision and what
21 we're asking for here is that the existence of the
22 BTTL, Blythe I's proposed transmission line. That
23 wasn't known at the time of the Commission's
24 decision, the Committee's decision on January
25 2004, and it does change things.

1 Western is currently analyzing the proposed
2 project interconnection with the BTTL in place,
3 and the results of that study will tell us how the
4 interconnection will occur. Presumably, that
5 study is due in the next few weeks, months, two
6 months, we're not quite sure, but it's not too
7 long of a time to wait. It provided valuable
8 information about those connections and the
9 project description.

10 COMMISSIONER GEESMAN: Why wouldn't it make
11 sense to move forward with the case anyway and if
12 the results of that study prompted the Applicant
13 to change that location we would accommodate that
14 amendment. It seems to me that a lot of other
15 issues involved with the case -- what's driving me
16 is the fact that last summer after significant
17 discussion within this Commission, discussion with
18 the staff, we finally were able to disaggregate
19 Southern California's respective supply and demand
20 balance from Northern California's, and as a
21 consequence of that regional focus was able to
22 establish some looming problems in Southern
23 California.

24 That has prompted Southern California Edison
25 Company to request offers of new generating

1 capacity. The Applicant claims to be a
2 prospective offerer into that process. It would
3 seem to me that it would be in our interest to
4 determine whether this particular application
5 meets our legal requirements for receipt of a
6 certificate, and if it does, to come to a decision
7 on that in a timely way.

8 I understand that the staff feels that the
9 transmission interconnection could change from the
10 way the Applicant has currently put it forward to
11 us, but I'm not certain that I see the harm to us
12 other than the potential staff resources issue
13 that you raised from going forward on a project
14 that could, not necessarily will, but could be
15 amended.

16 MS. DE CARLO: Well, then let's focus on the
17 project as proposed. Aside from the fact of our
18 concern about potential changes, the project as
19 proposed we don't believe we have enough
20 information to determine if it does meet our legal
21 requirements. We don't have enough information,
22 we don't have information from the various
23 transmission owners on whether they believe the
24 impacts are mitigatable and that they agree with
25 the mitigation identified. We don't have an

1 indication of whether any additional facilities
2 need to be built in response to this proposed
3 project which could impact the environment and we
4 would need to analyze that as part of the proposed
5 project.

6 This System Impact Study along with a few of
7 the other items we've identified, including the
8 interconnection agreement which the Applicant
9 should have in hand right now and they've actually
10 entered into an agreement which would provide us
11 with at least the basic information for us to try
12 and reach conclusions on those grounds.

13 HEARING OFFICER SHEAN: Your citation in your
14 paper went to the Public Utilities versus Energy
15 Commission case which rested on CEQA grounds.
16 Now, what is it about what we know about the
17 downstream project, that being the Desert
18 Southwest Project, that's in the draft EIR/EIS
19 that we know or you know or believe to be
20 insufficient for purposes of incorporating what's
21 known in that proceeding into ours?

22 MS. DE CARLO: Well, Mark can probably talk a
23 little more about this than I can, but my
24 understanding is that that environmental analysis
25 does not analyze the effect of inserting BEP II's

1 electricity into the grid, what additional
2 downstream facilities would be needed to do that.

3 HEARING OFFICER SHEAN: How about with
4 respect to the environmental impacts? I mean in
5 our prior discussion in 2004, we talked about
6 inside-the-fence versus outside-the-fence issues,
7 all right. Now, there may well be inside-the-
8 fence issues that relate to new breakers or other
9 facilities that are inside the fence, but in terms
10 of outside-the-fence impacts, that's probably
11 under the law the only focus that this Energy
12 Commission should have in a more general sense,
13 and you and I discussed general versus specific
14 senses last time with regard to this downstream
15 project of the Desert Southwest Transmission
16 Project.

17 MS. DE CARLO: Well, I'll let Mark talk about
18 that.

19 MR. HESTER: Without the System Impact Study
20 or the Facilities Study, we don't know what those
21 potential downstream impacts are. We don't know
22 whether there will be lines that need to be in a
23 reconductor or replaced. And those would have an
24 environmental impact that we would need to
25 analyze, which we tend to do on a very general

1 level, it's not a specific analysis. But we don't
2 know that without the studies. I mean I
3 understand that the Committee in January of '04
4 said we don't need the studies to know this, so
5 we're not going to get them basically, but we
6 still don't know them. It's been another 15
7 months which is more than enough time to provide
8 those studies.

9 COMMISSIONER GEESMAN: Yes, except that there
10 are a lot of moving parts to all of these
11 transmission projects. It is an extremely
12 vulcanized planning and permitting environment.
13 If the Committee told you in '04 let's move
14 forward without them, why should I tell you any
15 differently in '05?

16 MS. DE CARLO: Well, close to the project
17 itself, the addition of BEPTL is proposing an
18 interconnection to Buck Boulevard as well.
19 There's a concern that there might not be enough
20 room at Buck Boulevard, that station would have to
21 be expanded. That's all on the ground potential
22 impacts that were not known to be potential to the
23 Committee at that time.

24 MR. HESTER: That is actually the sort of
25 major point that we have right now is that because

1 of the length of time that it took the Applicant
2 to fix their place in the Western interconnection
3 queue, the situation at Buck Boulevard has
4 changed. What may have been all in-the-fence
5 modifications at Buck Boulevard may not be in the
6 fence anymore. If they are outside the fence, if
7 the existing changes at Buck Boulevard station are
8 outside of the fence of the existing substation,
9 we have jurisdiction over those changes. We have
10 to actually do a fairly thorough environmental
11 analysis of those changes.

12 COMMISSIONER GEESMAN: Okay. That's the
13 second issue that we're going to hear from the
14 Applicant. I've got the queue issue, I've now got
15 a Buck Boulevard issue.

16 Is there anything else that you want to add,
17 Ms. De Carlo?

18 MS. DE CARLO: I guess ultimately staff
19 doesn't see the harm in, one, requiring the
20 Applicant to provide information they currently
21 have on hand, interconnection agreement, that
22 would provide us with specific information.

23 Two, if the situation is as the Applicant
24 proposes that they are not going to begin
25 construction until there is some definite movement

1 on the Desert Southwest Project or another
2 facility, we don't see the harm in waiting a month
3 or two for the Western System Impact Study.
4 Clearly no movement is going to made on any of the
5 transmission projects, this is not going to result
6 in a major delay to this project.

7 Staff has been very diligent in trying to get
8 this information for the last several years. The
9 delays have all been due to the Applicant on
10 filing with the FSA, they waiting a long time to
11 provide us with certain information. So their
12 claim that we're just promoting further delay that
13 was our responsibility in the first place is
14 completely false. We're just trying to get a
15 sufficient amount of information for the project,
16 and I don't believe that the benefits of waiting
17 are outweighed by any potential harm.

18 COMMISSIONER GEESMAN: Anything else?

19 MS. DE CARLO: That's all.

20 COMMISSIONER GEESMAN: Okay.

21 MR. HESTER: I just had one other thing. We
22 understand the Western System Impact Study for the
23 Buck Boulevard connection is going to be done in
24 the next couple weeks or maybe month. So far that
25 has been kept confidential from staff. I've never

1 had an Applicant keep this kind of data
2 confidential, they've always come forward in the
3 siting process and made available as soon as it
4 was there. That it's not being made available and
5 the study request has not been made available is
6 somewhat shocking.

7 COMMISSIONER GEESMAN: Okay.
8 Applicant.

9 MR. ELLISON: Commissioner, I've heard two
10 issues that you would like us to respond to, one
11 is the queue issue and the other is the Buck
12 Boulevard issue; is that right?

13 COMMISSIONER GEESMAN: Yes. You can respond
14 to Mr. Hester's last point at your option.

15 MR. ELLISON: Okay. Well, we will respond to
16 that.

17 First of all, with respect to the queue
18 issue, it's important to separate the generation
19 queue from the transmission queue. With respect
20 to the generation queue, the only change that we
21 are aware of is the removal of a portion of the
22 Ocotillo Project that was ahead of the Blythe II
23 Project in the queue. What that means is that all
24 the assumptions in the BART study are
25 conservative, in other words, they overstate the

1 amount of generation on the system. And the BART
2 study is, in fact, if anything more valid as a
3 result of that.

4 With respect to the transmission queue, we
5 are not aware of any change in the queue for
6 transmission interconnection. With respect to
7 those that were assumed in the BART study, the
8 BART study did examine a variety of different
9 alternatives, but perhaps the most salient point
10 is that for the same amount of generation, if you
11 did put another transmission project in front of
12 the Desert Southwest Transmission Project,
13 compared to what was assumed in the BART study,
14 what you have is a more robust transmission system
15 for the same amount of generation. And once again
16 what it means is that the BART study, rather than
17 being invalid, is just that much more
18 conservative. So the queue issues we don't think
19 provide any basis for a delay in this proceeding
20 and they certainly don't invalidate the BART
21 study.

22 With respect to the ability of the Commission
23 to carry out its CEQA mandate, let me break the
24 potential CEQA impacts down into different
25 categories. First of all, there is the thousand-

1 foot generation tie from the powerplant to Buck
2 Boulevard. We have not heard any allegations from
3 staff that they lack sufficient information to
4 examine the environmental impacts of that.

5 Secondly, there are the issues of the Buck
6 Boulevard substation itself and in a moment I'm
7 going to ask Mr. Looper to respond to whether any
8 of the things that are taking place would cause an
9 outside-the-fence change at Buck Boulevard. So
10 let me reserve that.

11 Third, there are the issues of potential new
12 facilities downstream of Buck, beyond the
13 Commission's licensing jurisdiction. The
14 Commission does have jurisdiction, as you know, to
15 look at CEQA impacts downstream of its permitting
16 authority, provided they are impacts of this
17 project and not of some other project. For that
18 purpose, we have provided a full draft
19 Environmental Impact Study with that degree of
20 environmental information about the Desert
21 Southwest Transmission Project. That is
22 significantly more information than the Commission
23 typically gets about these facilities. And I have
24 yet to hear any credible argument that that level
25 of environmental information about the Desert

1 Southwest Transmission Project is insufficient.

2 Lastly, we have potential impacts downstream
3 of the interconnection of the Desert Southwest
4 Transmission Project. These are the ones that we
5 referred to in our filing as downstream of
6 downstream. These are the ones on the Edison
7 system, okay.

8 There are two points to make with respect to
9 that. The first is that the BART study looked at
10 those issues, and I say this in sharp contrast
11 with what the staff has asserted. These issues
12 have been looked at in the BART study and there
13 were no facilities identified that far downstream.

14 Secondly, even if there were facilities,
15 outside-the-fence facilities identified
16 downstream, you have to decide whether those are
17 attributable to the Blythe II Power Plant or not
18 in order for them to be jurisdictional.

19 The Desert Southwest Transmission Project is
20 a project that is a separate project that is
21 intended to carry Blythe II power certainly, but
22 also to carry power for others. For example, its
23 interconnection request at Devers includes a
24 hundred megawatts of power for IID. So any
25 impacts downstream of Devers cannot be necessarily

1 attributed solely to Blythe II. So the point is
2 that as you go segment by segment all the way into
3 the Edison system, there are no facilities that
4 have not been studied, identified, and can be
5 attributed to this project that have not been
6 fully analyzed and for which information has not
7 been provided.

8 With that, let me ask Mr. Looper to address
9 the specific question raised by staff today for
10 the first time that something has changed that
11 would cause an outside-the-fence impact
12 specifically at Buck Boulevard.

13 MR. LOOPER: Good morning. Robert Looper.

14 A couple things on that. The first is that
15 coming out of the last January proceeding, there
16 was four requests that we've responded to staff
17 with, in addition to just forming the condition
18 for transmission. One of those was to provide the
19 Western Interconnection Study request. It was the
20 third such time that we've provided that request
21 to staff, and I think Mr. Galati has all those
22 into the record. So I'm not certain of the
23 statement related to that we're not providing
24 information again I hear from staff. But it was
25 at that meeting, if you look in the record, you

1 will see quite a bit of dialogue about that, yes,
2 we provided it and why don't we have it, and Bill
3 made a request that why don't you provide it again
4 and we did.

5 I'm not aware that we've received anything
6 from Mr. Savo from Western here on System Impact
7 Study results that we have to share. I think we
8 will. I think Nick is working on some things. So
9 I don't believe we have gotten anything, a draft
10 System Impact Study, and we haven't gotten any
11 results of the System Impact Study to share with
12 staff, and when we do, we're happy to do that. We
13 have no issue with that whatsoever.

14 With regard to the Buck Boulevard substation,
15 I think the moving parts, it's a very difficult
16 and complex situation. But I want to talk a
17 little bit about Blythe I and Blythe II and
18 Florida and the relationship and the discussions
19 that we're in.

20 As you know, we're using facilities from
21 Blythe I and part of Blythe II, and as a matter of
22 fact Blythe Energy morphed into Blythe Energy II.
23 And we are using the storm water retention pond,
24 we are using all the downstream facilities. In
25 addition, we're crossing across the site. As you

1 know, Buck is contained completely within the 76
2 acre original project site and then that land was
3 deeded over to Western.

4 So when we talk about outside the fence, we
5 need to be a little bit careful about we're not
6 talking about a substation that's out in the
7 middle of a residential area or anything. I mean
8 there is a fence line there, it is within the
9 Blythe I project site. Whether that fence line
10 moves and it needs to be expanded, maybe that
11 comes out of the Western System Impact Studies or
12 Facilities Studies.

13 But the exact situation between us and
14 Florida is we understand where Julian Hines will
15 connect in if they proceed with that line. We
16 understand that it will be a 230 connection and
17 there will be a split bus. We understand that the
18 bus at Buck Boulevard, one side for the two CTs
19 will go to 230 KV, the other side will stay at 161
20 KV with the steam turbine. We know that the 161
21 KV, there will be a transformer between there and
22 Blythe and part of the control. We believe that
23 this study on Julian Hines has been accepted by
24 the ISO and has been submitted by Edison. And I
25 think you're the person who is most aware of what

1 is going on with that.

2 The other line that they have is on the 230
3 side, the line that they propose to go to midpoint
4 substation and connect into BPP I. Although that
5 study has not been released, it's about to be, and
6 we know where that connects into, an existing
7 breaker position within Buck.

8 And we also know that we provided a
9 configuration to Western and to the CEC that shows
10 how our facilities fit within Buck. And I'm sure
11 when Western gets their arms around where Florida
12 is going to go and where we're going to go, we can
13 work out the final arrangement and it may require
14 a fence line moving within the Blythe I site. But
15 a lot of moving parts here, into there. I believe
16 the staff has everything that they need,
17 everything that we know of that's going on right
18 now with the station.

19 MR. GALATI: If I could just add one thing.
20 I was also licensing attorney for Blythe I and
21 it's important to note about the location of the
22 Buck Boulevard substation in the northeast corner
23 of the site is that any expansion, if at all,
24 feasible in any way, shape or form, would take
25 place into Blythe I. The full 76 acres were

1 evaluated as completely disturbed and full
2 mitigation was provided for everything within that
3 fence line. So even if worst case scenario that
4 does expand it, as far as environmental impacts
5 are concerned, they have already been fully
6 mitigated, let alone analyzed.

7 COMMISSIONER GEESMAN: Ms. De Carlo, do you
8 have anything else?

9 MS. DE CARLO: I would just suggest or
10 comment that the BART study isn't the ideal study
11 to rely upon to show that the mitigation as it's
12 been identified. One, it didn't analyze the
13 project as proposed, it analyzed a 230 KV project
14 and the Applicant is proposing a 500 KV project.
15 Mark has just gone into detail about the potential
16 significance for such a change.

17 Two, the transmission owners never agreed to
18 the mitigation that's been identified in the BART
19 study. They haven't actually said that these are
20 the only mitigation measures they are going to
21 impose and they believe it fully mitigates the
22 impacts of the project's interconnection.

23 So those are two fairly big problems that
24 would be resolved with the Western System Impact
25 Study.

1 COMMISSIONER GEESMAN: Did you have anything,
2 Mr. Hester?

3 MR. HESTER: We've just done some studies
4 that shows what happened with the correct
5 configuration of the connection to Buck Boulevard
6 and we do have our expert who did the work, but it
7 showed that there was significantly more flow to
8 west of Devers which could result in downstream
9 facilities, the Applicant has said something about
10 the Ocotillo plant being reduced. Those could
11 cancel each out, I haven't seen a study that did
12 both.

13 COMMISSIONER GEESMAN: Now, when you say the
14 correct interconnection to Buck?

15 MR. HESTER: The 500 KV connection to Buck.

16 COMMISSIONER GEESMAN: Well, if you elect,
17 you will have the opportunity to present that
18 evidence to us in a proceeding itself.

19 I'm going to deny the staff motion.

20 Why don't we move on to the next item on our
21 agenda.

22 HEARING OFFICER SHEAN: And for the purposes
23 of determining the status, this is not obviously a
24 prehearing conference, but I would like to get a
25 general idea of where things are on the FSA and

1 also what Applicant's general readiness is. So
2 maybe we can go back to the staff and discuss the
3 current condition of the staff's final assessment.

4 MR. PFANNER: Yes. The FSA was published on
5 April 29th and in it there was a summary of the
6 water and soil section, the complete background
7 report and appendices was published last night and
8 put on the web, and I do have copies of it for
9 people to take today. And it will be mailed out
10 today to all agencies and interested parties on
11 the project.

12 HEARING OFFICER SHEAN: Now, other than that,
13 are there portions of the FSA that will be either
14 supplemented, revised or anything like that? With
15 that are you pretty much final?

16 MR. PFANNER: That is the last piece of
17 information.

18 HEARING OFFICER SHEAN: So at this point if
19 we were to go to a prehearing conference, staff
20 would be prepared to say the FSA that you have in
21 hand essentially today would be your testimony?

22 MS. DE CARLO: We may want to augment our TSE
23 analysis given the Committee's decision today.

24 HEARING OFFICER SHEAN: Okay

25 MR. PFANNER: And we did receive a letter

1 from Palo Verde Irrigation District that we will
2 be responding to also.

3 HEARING OFFICER SHEAN: And let me just make
4 sure that the information that you have submitted
5 is what was characterized I think as a working
6 group study or something like that in your FSA
7 document --

8 MR. PFANNER: Right.

9 HEARING OFFICER SHEAN: It's one and the
10 same?

11 MR. PFANNER: Correct.

12 HEARING OFFICER SHEAN: Anything more you
13 want to tell us about your FSA?

14 Okay, let's hear from the Applicant.

15 MR. GALATI: We are prepared to go to
16 evidentiary hearing on all points. And once again
17 I would propose that there is in some areas
18 significant difference of opinion, and then in
19 some areas probably some tweaking and work that
20 can be resolved.

21 I will throw out one issue, the first time --
22 we've had some, for example, workshops on biology
23 and dealing with the potential selenium-related
24 issues with the pond. Prior to the FSA, it
25 appeared that the agencies were looking at a

1 potential solution with the Blythe I issue that
2 may involve us continuing to use the pond and we
3 were open to that. The FSA has come out
4 recommending that we consider use of a
5 crystallizer or something like that. We are
6 seriously considering that and we would like to
7 have further discussions about that point and we
8 think that that would be helpful.

9 With respect to water, we have a significant
10 dispute with staff. This has gone back to 1999.
11 We have a fundamental dispute on the
12 characterization of the water that we're using. I
13 don't think that unless the Commissioners would
14 appreciate at this time a summary, I think we're
15 prepared to do that in evidentiary hearing or to
16 give a summary for a very fruitful prehearing
17 conference.

18 Once again, I would propose that we set a
19 prehearing conference as soon as we can, ask the
20 parties to have very detailed preconference
21 statements proposing resolution to potential
22 issues and setting forth arguments so that we can
23 streamline evidentiary hearings and maybe make the
24 process much more efficient.

25 And so that's where we are and we know that

1 staff has recommended on the land use issues with
2 the airport that staff has taken a position. We
3 obviously disagree with that position and are
4 prepared to present our testimony on that.

5 HEARING OFFICER SHEAN: So even though you
6 said in the earlier portion of your statement some
7 matters may need a little tweaking, that wasn't to
8 suggest a need for any further workshops or
9 meetings with staff, should I take it that way or
10 might that be fruitful?

11 MR. GALATI: I actually truly believe that
12 we're probably not going to be able to work things
13 out with staff unless we get a push from the
14 Committee. And I think that once again I would
15 request that we have that push and again model the
16 Roseville case which I think ended up with the
17 type of process that this process can have when
18 parties roll up their sleeves. Unfortunately,
19 this case has gone on for a very long time and
20 it's somewhat difficult now to roll up our sleeves
21 without getting pushed, but we're still very much
22 open to that.

23 HEARING OFFICER SHEAN: All right. So in the
24 Applicant's view, you're ready to go to prehearing
25 conference?

1 MR. GALATI: That's correct.

2 HEARING OFFICER SHEAN: How about the staff?

3 MS. DE CARLO: Yes. We have our FSA. Just
4 obviously before hearing we would like to see the
5 Applicant's written testimony on what they will be
6 presenting, but we're ready to go forward.

7 HEARING OFFICER SHEAN: Is there any other
8 party who is present here today who would like to
9 make a statement?

10 MR. LOOPER: I would just like to make one
11 other comment.

12 HEARING OFFICER SHEAN: Yes.

13 MR. LOOPER: There was a statement regarding
14 the Edison RFO and I would like to in representing
15 Caithness today who is a significant player in the
16 Southern California energy markets, the largest
17 privately owned renewable resources and developer
18 of Blythe I, we submitted in response two days ago
19 the Blythe II project into the Edison RFO process.
20 We are not at all certain how this is going to go
21 down, but we're certainly concerned about the
22 certainty of our licensing with the CEC as where
23 we ended up out of the last staff report which put
24 us in a very difficult position.

25 Edison will be reviewing it. We're one of

1 only two projects that I'm aware of that actually
2 qualified under their narrow definition of quote,
3 unquote, "new generation" that was within the CEC
4 process. We're creating quite a bit of attention.
5 Right now, they're going to be picking up the
6 phone and talking to the CEC about the status of
7 Blythe II. And we're committed, we've been
8 involved with the transmission process for five
9 years dealing with a variety and participating,
10 supporting, being a player in California trying to
11 figure out how we can get both projects and
12 transmission, solving the chicken and the egg
13 scenario.

14 So I just wanted to respond. We are in the
15 process, we did submit. It's not a trivial deal,
16 there's a \$5,000 per megawatt cash bond required
17 for the process, and I believe over the next
18 couple of weeks they're going to be short listing
19 down through and Blythe II is one of those
20 projects that can serve the needs in Southern
21 California in the near timeframe.

22 MR. GALATI: If I could add to that end, if
23 the Commission's staff report is taken as the
24 position of the Commission at this time, which I
25 know the process and I know that that's not the

1 position of the Committee. It may be the position
2 of the Committee, but it certainly is not the
3 position of the Committee now. I would just
4 remind staff as well as bring up to the Committee
5 that while they may recommend that the project is
6 denied, it is in no way, shape or form required or
7 a signal to Edison that this project cannot get
8 its certification.

9 COMMISSIONER GEESMAN: Well, I found the use
10 of fairly detailed prehearing conference
11 statements to be productive in the Roseville case
12 and I would encourage both the staff and the
13 Applicant to file perhaps a little more elaborate
14 prehearing conference statement than you have in
15 other cases and to look at Roseville as a bit of a
16 model.

17 How quickly can such statements be available?

18 MR. GALATI: We could prepare ours in ten
19 days.

20 MS. DE CARLO: I would say about two weeks.

21 HEARING OFFICER SHEAN: This may be a
22 prehearing conference at the end of the month or
23 the beginning of July is about right?

24 MR. GALATI: If you could get the notice out
25 so that once again Edison knows we are proceeding

1 forward, that would be helpful to us. We would be
2 prepared to go within two or three days after
3 staff has completed their filing. So if there
4 were a three-week timeframe in which we could meet
5 that, such as let's say the third week in June, if
6 the Committee was available, we would very much
7 like to get to that point.

8 COMMISSIONER GEESMAN: Let me review my
9 calendar.

10 HEARING OFFICER SHEAN: Is anyone on the
11 phone who would like to make a comment? We're
12 preparing to conclude the hearing, so if there is
13 anyone who is present, now acting in my Public
14 Advisor capacity, who wishes to make comment on
15 the Blythe II proceedings, anything that we've
16 discussed today or any other matter related to it,
17 this is your opportunity to do so.

18 MR. WOLFE: You've got Pat Wolfe here with
19 the airport in Blythe, California.

20 HEARING OFFICER SHEAN: Yes, sir.

21 MR. WOLFE: I was under the impression that
22 Plant Number II was not going forward until the
23 controversy of the safety issue on Plant I was
24 resolved. Where do we stand on that?

25 HEARING OFFICER SHEAN: I think what, if I

1 understand correctly, is that the staff in its FSA
2 document on Blythe II has indicated that it has
3 serious concerns with regard to aviation safety,
4 as they have allegedly been evidenced by flight
5 operations with Blythe I in place and that they
6 intend to come to the evidentiary hearings in the
7 proceeding asserting that that is a significant
8 and unavoidable impact. The Applicant on the
9 other hand I think is going to say something
10 different. They haven't provided us the specific
11 language for that, but based upon what they have
12 represented so far, we would anticipate that. So
13 that issue will be joined in the hearings on the
14 Blythe II case.

15 MR. WOLFE: Okay. I would like to be told
16 when those hearings are going to be. Are they
17 going to be in Sacramento?

18 COMMISSIONER GEESMAN: I think that's what I
19 wanted to raise a question about. I'm interested
20 in facilitating the convenience of the parties and
21 the witnesses, and I am more than happy to spend
22 the summer in Blythe.

23 MR. NELSON: This is Les Nelson, City Manager
24 of Blythe. And, likewise, as we see this thing
25 probably evolving toward evidentiary hearing, my

1 question was when and where and certainly we would
2 like at least some portion to be held in the
3 community of Blythe and would further ask that it
4 not be scheduled the last week of July inasmuch as
5 we have annual League of California Cities
6 Conference and all of the city council and
7 administrative staff will be out of town the last
8 week of July. So when and where on the
9 evidentiary hearings, if someone could speak to
10 that?

11 HEARING OFFICER SHEAN: I think it's likely
12 what we'll attempt to do is on matters that are
13 not contested, those which do not have anyone
14 suggesting that the public or the local agencies
15 or the city have a particular interest in being
16 heard, we will probably just do those in
17 Sacramento. But for the ones that impact the
18 airport, the city, water, and matters that have
19 been subject to contest so far, that those will be
20 the ones held in the community.

21 MR. NELSON: And again, at the risk of
22 overstepping, if there's anyway we could check
23 calendars and not do it the last week of July.

24 HEARING OFFICER SHEAN: I have noted that, so
25 we will avoid it.

1 MR. NELSON: Thank you.

2 HEARING OFFICER SHEAN: All right. Ladies
3 and Gentlemen, is there anything further?

4 Hearing nothing, thank you.

5 (Thereupon the meeting of the California
6 Energy Commission was concluded at 11:03
7 a.m. on June 3, 2005.)

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1 CERTIFICATE OF SHORTHAND REPORTER

2 I, MICHAEL J. MAC IVER, a Shorthand
3 Reporter, do hereby certify that I am a
4 disinterested person herein; that I reported the
5 foregoing California Energy Commission proceedings
6 in shorthand writing; that I thereafter caused my
7 shorthand writing to be transcribed into
8 typewriting.

9 I further certify that I am not of
10 counsel or attorney for any of the parties to said
11 California Energy Commission proceedings, or in
12 any way interested in the outcome of said
13 California Energy Commission proceedings.

14 IN WITNESS WHEREOF, I have hereunto set
15 my hand this 13th day of June 2005.

16

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21 Michael J. Mac Iver

22 Shorthand Reporter

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